

DEPARTMENT OF DEFENSE COMPETITIVE SOURCING PROGRAM

Air Force Annual Civil Engineering, Contracting, and Industry Partnering Forum
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Summary



- Program Objective
- Program Savings
- OMB
- DoD Inventory
- Commercial Activities Panel
- DoD Program
- Policy Update
- Trends
- Automation Tools
- Future Enhancements



OBJECTIVE

Objective



The Imperatives

- Sustain Readiness
- Maintain Quality of Life
- Reduce Infrastructure

The Challenge

Increase Modernization Funding

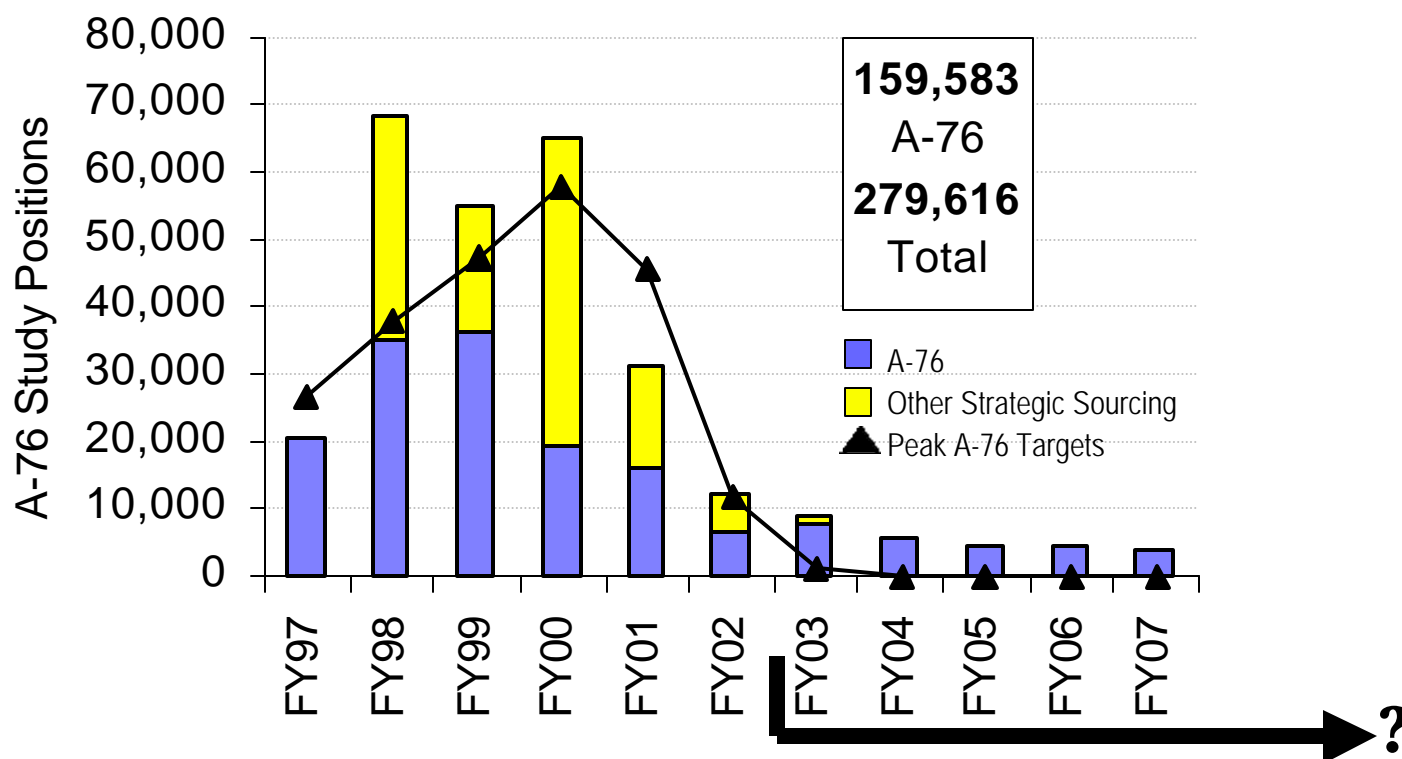
FY01 President's Budget: 245,000 FTEs Between FY97-FY05



SAVINGS



Programmed Competitive & Strategic Sourcing

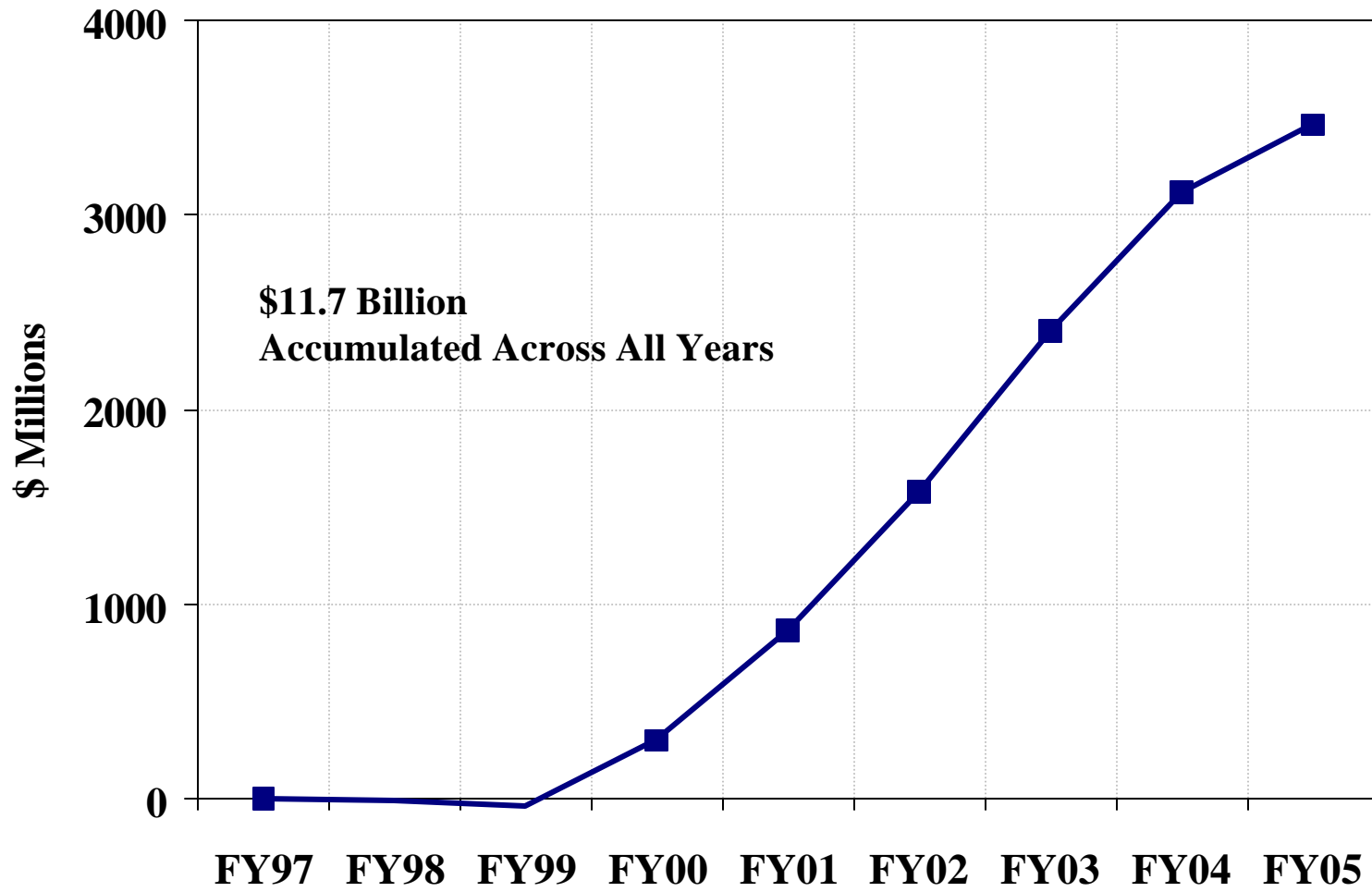


A-76 initiatives initiated and completed since 1 Oct 94 have averaged 33.7% savings

Projected Savings



\$11.2 Billion was reprogrammed into modernization during development of the FY2000 President's Budget. The goal will be exceeded.

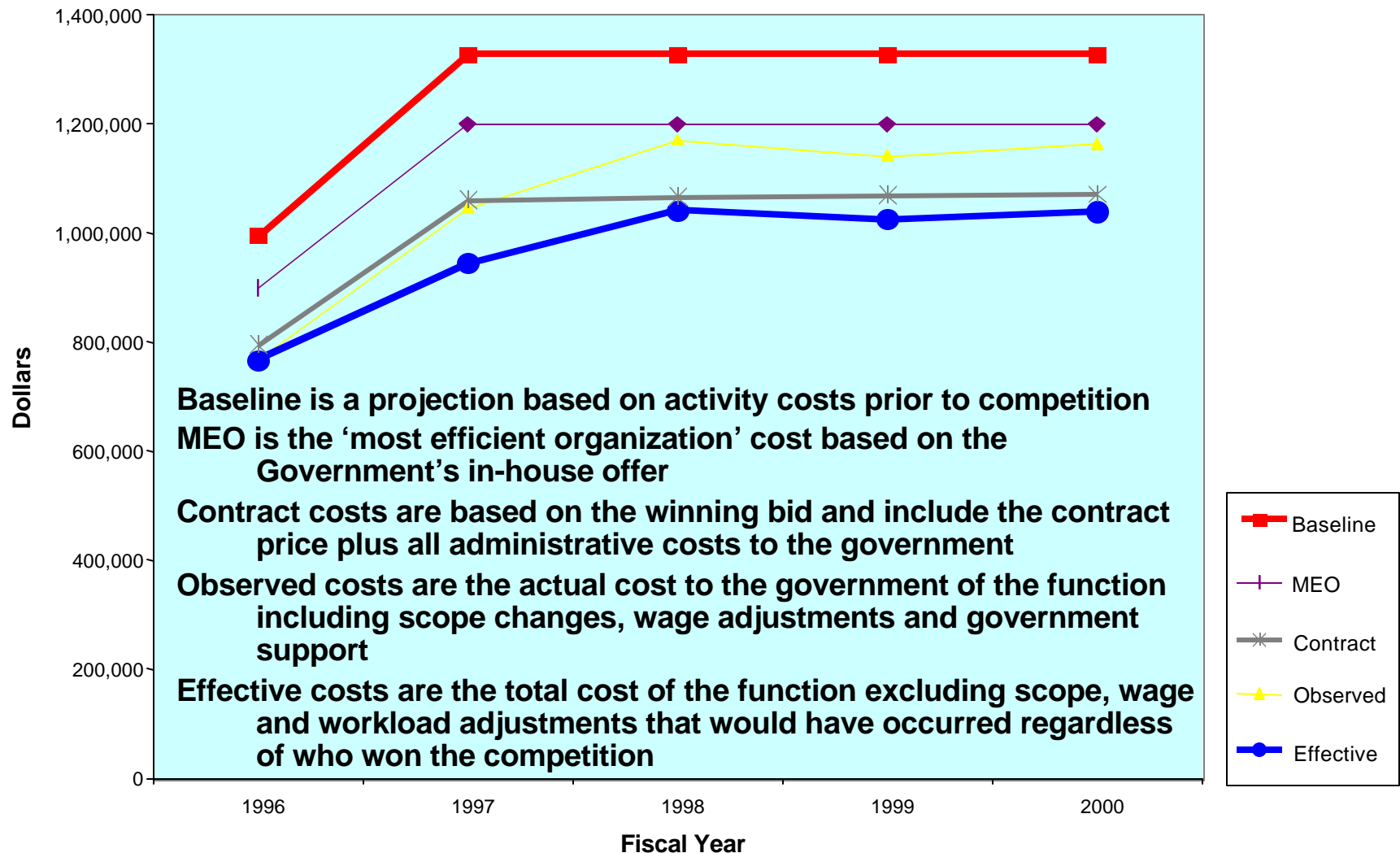


Source: FY2001 President's Budget

Long-term Savings Are Real



Competition: - Military Family Housing Maintenance





OMB

Latest OMB Guidances



➤ OMB

✓ 15 Feb 01 Mitch Daniels Letter to Agencies

➔ Message: Improve Federal Government Performance

➔ Agenda Builds on GPRA and FAIR

➔ Five Major Reforms:

- Delaying Management Levels to Streamline Organizations
- Reducing Erroneous Payments to Beneficiaries and Other Recipients of Government Funds
- Making Greater use of Performance-based Contracts
- Expanding the Application of On-line Procurement and Other E-Government Services and Information
- Expanding A-76 Competitions and More Accurate Fair Act Inventories

Latest OMB Guidances



➤ OMB

✓ 9 Mar 01 Sean O'Keefe Letter to Agencies

➔ Message: Set Goals

- Expand A-76 Competitions and More Accurate FAIR Act Inventories
 - By FY02 Agencies will **Complete** Public-Private or Direct Conversion Competitions on Not Less than 5% of the FTEs Listed on their FAIR Act Inventories.
 - Include FTEs by Function and Location Being Competed, Training Requirements and Planned Contract Support.
 - President's commitment is to Open at Least One-Half of the Federal positions listed on the FAIR Act Inventory of CAs to Competition with the Private Sector

✓ OMB Budget Guidance

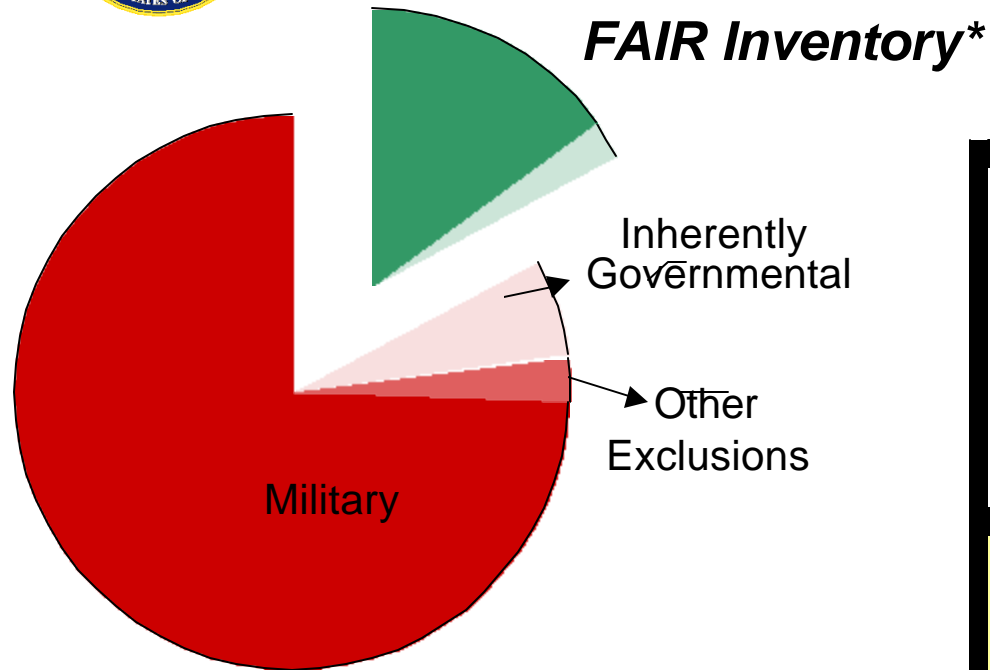
➔ Complete Competitions For 10% of Positions in Fair Act Inventory By FY03



DoD Inventory



FAIR Inventory ... in perspective



Manpower

FAIR Inventory

*** Based on FY 2000 data**



Inventory

Facts & Observations

- Inventory supports two annual Congressional requirements
 - ✓ FAIR Act & Commercial Activities Report (10 USC 2461)
 - ✓ Inventory is nothing new to DoD due to 10 USC 2461
 - ✓ DoD conducts one annual full inventory including CA & inherently governmental positions
 - ✓ Emphasis has changed because of FAIR inventory
 - ➔ must be made available for public review & may be challenged
- DoD **FAIR Inventory** is roughly 50% of the Federal Government's inventory
 - ✓ 85% attributed to 4 Military Services - 15% to Other Components
- DoD already contracts for a substantial portion of CAs
 - ✓ Estimated 734,000 contractor manyear equivalents
- OMB targets based on FAIR Inventory
 - ✓ 5% by 02, 15% by 03, etc.

30 DoD Components*



- Department of the Army
- Department of the Navy (includes DON Headquarters Staff)
- Department of the Air Force
- U.S. Marine Corps
- Defense Logistics Agency (DLA)
- Defense Finance and Accounting Service (DFAS)
- Defense Commissary Agency (DeCA)
- Defense Information Systems Agency (DISA)
- Washington Headquarters Services (WHS)
- Joint Staff
- Office of the Secretary of Defense
- Defense Legal Services Agency
- Defense Security Service
- Defense Threat Reduction Agency (DTRA)
- Department of Defense Education Activity (DoDEA)
- Department of Defense Human Resources Activity (DoDHRA)
- Tri Care Management Activity
- Ballistic Missile Defense Organization (BMDO)
- Defense Advanced Research Projects Agency (DARPA)
- American Forces Information Service (AFIS)
- Defense Contract Audit Agency (DCAA)
- Defense Prisoner of War/Missing Personnel Office (DPMO)
- Defense Security Service (DSS)
- Office of Economic Adjustment

* DoD Inspector General and Defense Intelligence Agencies participate in FAIR, but handled separately with special arrangements

DoD INVENTORY



Full (CIGA) Inventory (Civilian only)

FY99 FAIR Inventory (Civilian only)*

<u>Criteria</u>	<u>Number</u>	<u>%</u>
IG	168,915	23%
Exempt	287,446	39%
Reviewable	<u>277,705</u>	<u>38%</u>
Total	734,066	100%

<u>Criteria</u>	<u>Number</u>	<u>%</u>
IG	N/A	N/A
Exempt	193,179	43%
Reviewable	<u>259,628</u>	<u>57%</u>
Total	452,807	100%

*Basis for 5% & 10%

FAIR = Federal Activities Inventory Reform

CIGA= Commercial & Inherently Government Activities (full inventory)

IG = Inherently Governmental



COMMERCIAL ACTIVITIES PANEL

Commercial Activities Panel Members



- **David M. Walker**, Comptroller General of United States
- **Pete Aldridge**, Under Secretary of Defense (Acquisition, Technology & Logistics)
- **Sean O'Keefe**, Deputy Director, OMB
- **Frank Camm, Jr.**, Senior Economist, RAND
- **Mark C. Filteau**, President, Johnson Controls
- **Stephen Goldsmith**, Former Mayor of Indianapolis
- **Bobby L. Harnage, Sr.**, National President, AFGE
- **Kay Cole James**, Director, OPM
- **Colleen M. Kelley**, National President, NTEU
- **Stan Soloway**, President, PSC
- **Robert M. Tobias**, Distinguished Adjunct Professor & Director of the Institute for the Study of Public Policy Implementation, American University



Commercial Activities Panel

- Required by Law (FY01 NDAA Section 832)
- Public Hearings
 - ✓ 11 Jun 01 in Washington DC
 - ✓ 3 Aug 01 in Indianapolis
 - ✓ 15 Aug 01 in San Antonio
- Report Due 1 May 02
- Working Groups
 - ✓ Background: Trends & Challenges
 - ✓ Sourcing Principles and Criteria
 - ✓ A-76 & Other Sourcing Processes: What's Working and What's Not?
 - ✓ Alternatives to the Current Sourcing Processes



COMPETITIVE SOURCING PROGRAM



Competitive Sourcing = A-76

- Office of Management & Budget (OMB) Oversight
 - ✓ Federal Policy Since 1955
 - ✓ OMB Circular A-76, *Performance Of Commercial Activities & Supplemental Handbook*
- A-76 Program Objectives
 - ① Achieve Economy & Enhance Productivity Through Competition
 - ② Retain Inherently Governmental Activities In-house
 - ③ Rely On the Private Sector For Commercial Activities

What Is A-76?



- Provides Rules of Engagement For Competitive Sourcing For All Federal Agencies Since 1950s
- Requires Strict Program Management
 - Step 1: Review What Can & Cannot Be Competed
 - ➔ Commercial Activity Or Inherently Governmental
 - Step 2: Record Review Results In Inventory
 - ➔ End Of Fiscal Year Report To Congress & OMB
 - Step 3: Compete What Can Be Competed
 - ➔ Cost Comparison Or Direct Conversion

Why A-76?



- Doesn't Assume In-house Or Contract Is Better
- Competitive Sourcing Is A Resource Management Tool For Commanders
- Competitive Process IS Challenging
- Competition Takes Investment of Time And Resources
 - ✓ Deliverable:
 - ➔ Resource & Dollar Savings For Modernization
 - ➔ Regardless of The Source -- Contract or In-House

Criteria for Competitive Sourcing



- DoD Will Not Contract Inherently Governmental or Core Activities, Commercial Exempt
 - ✓ **Decision-Makers, Warfighting, Firefighters/Security Guards, etc.**
- Private Sector Market Must Exist
- Must Comply With
 - ✓ **OMB Circular A-76 & Supplemental Handbook**
 - ✓ **Federal Acquisition Regulation (FAR)**
 - ✓ **Title 10 United States Code**
 - ✓ **Annual Authorization & Appropriation Acts**
- Competitive Sourcing Decision Must Be Cost Effective



Benefits of A-76 Competition

- Competitive Sourcing Results In Fact-Based Decision-Making
- Empowers Commanders To:
 - ✓ Minimize Infrastructure Spending
 - ✓ Make Smart Business Decisions
- Justifies Decisions To:
 - ✓ Contract or Retain Existing In-House Functions
 - ✓ Return Contracted Workload To In-House When Contract Costs Escalate



Benefits of A-76 Competition

- **Competitive Sourcing Is Proven, Defensible Process**
 - ✓ **Standardized:** Bidding Same Across Government
 - ✓ **Understandable:** Methodology Familiar To All Parties
 - ✓ **Acceptable:** All Parties Can Live With Decision
 - ✓ **Disciplined:** Can Withstand GAO & Audit Scrutiny
 - ✓ **Successful:** Regardless Of The "Who"-Savings Achieved
 - ➔ **Savings = Takes Less Resources To Do The Job**
 - Resources = Dollars or Manpower
 - Supported by Multitude of Reports



Competitive Sourcing Processes

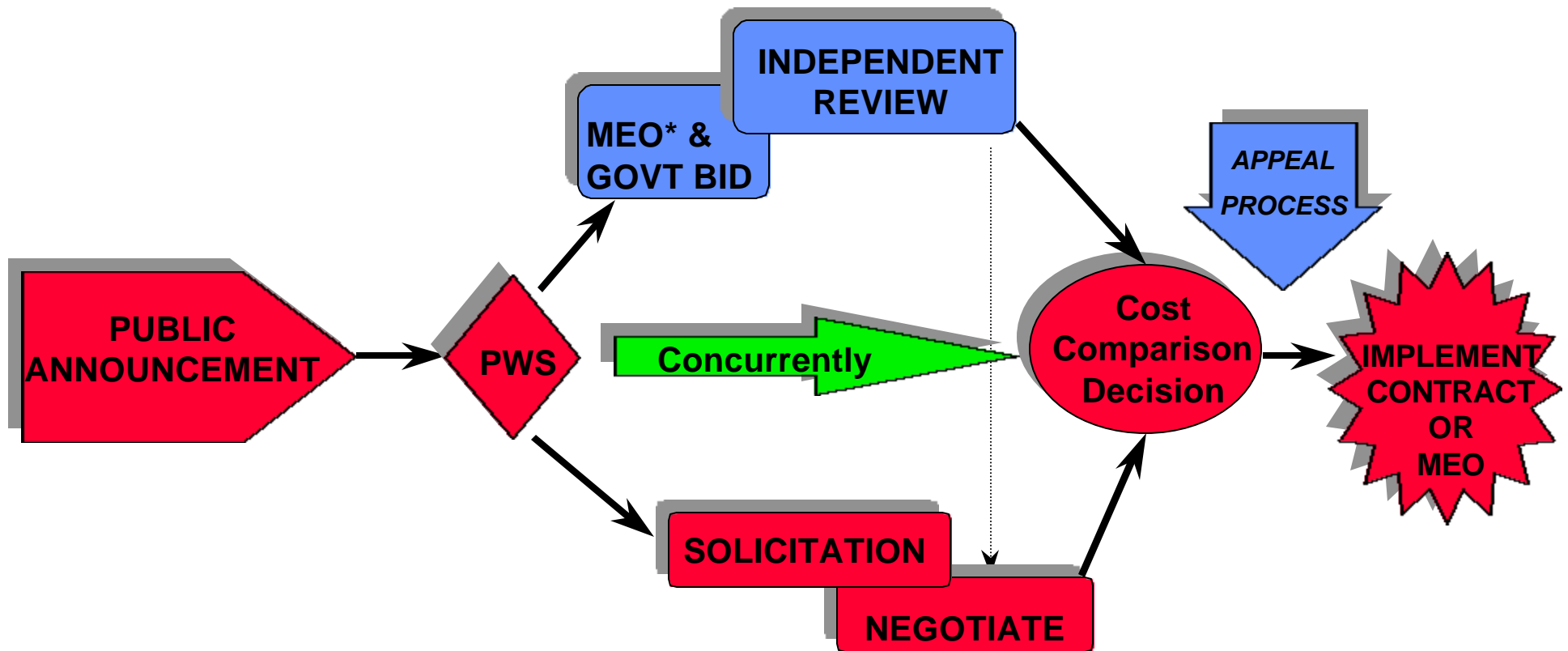
➤ Cost Comparison

- ✓ Public Sector Competes Against the Private Sector
- ✓ The Greater the Competition, The Greater the Savings
- ✓ Applies To Functions With More Than 10 Civilians
- ✓ Must Be Cost Effective

➤ Direct Conversion

- ✓ Private Sector Competition Only
- ✓ Limited Application & Less Savings
- ✓ JWOD or (8a) Tribal Firm/Native Hawaiian Organization
- ✓ Must Be Cost Effective

Cost Comparison Process



** MEO = Government's Most Efficient Organization that is the basis for the Government's Bid*

Large Cost Comparison

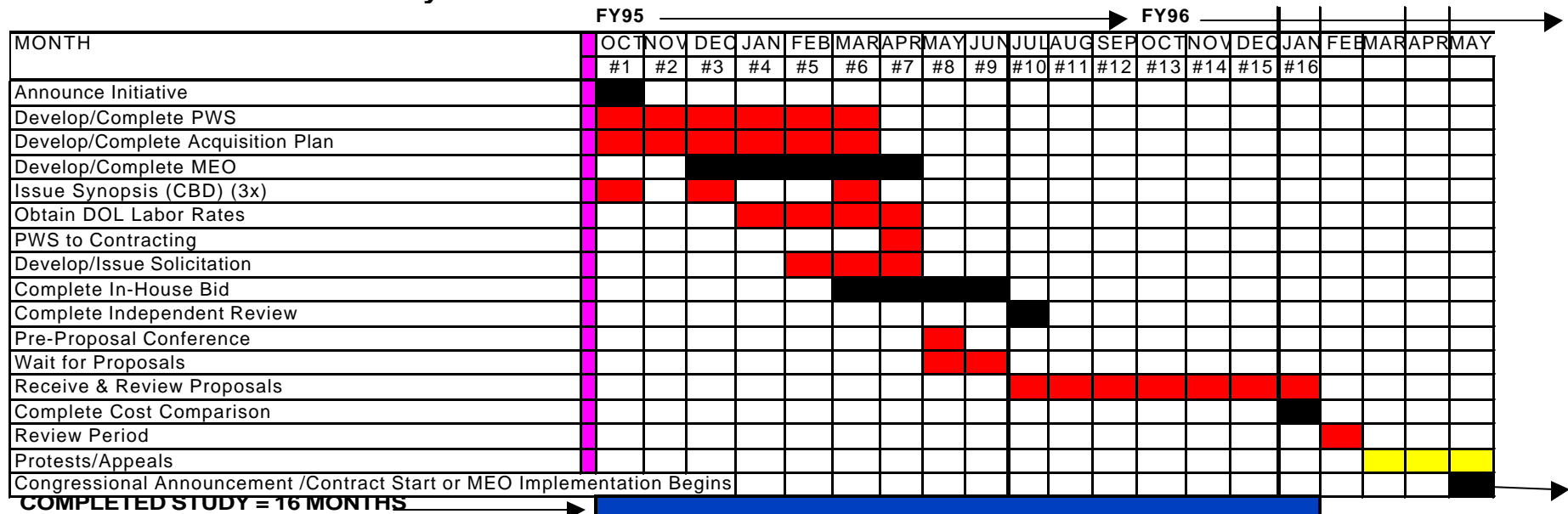





COST COMPARISON PROCESS -- NEGOTIATED ACQUISITION

Single Function Study

Aircraft Maintenance

Authorizations: 1401 military + 43 civilians = 1444 total



A-76 Specific Actions = 
 Acquisition Related Actions = 
 Appeal Actions & GAO Protests = 

Fast Cost Comparison



COST COMPARISON PROCESS -- NEGOTIATED ACQUISITION

Single Function Study

Range Mobile Target Support

Authorizations: 41 civilians

MONTH	FY95			FY96				#	\$
	JUL #1	AUG #2	SEP #3	OCT #4	NOV #5	DEC #6	JAN #7	FEB #8	MAR #9
Announce Initiative									
Develop/Complete PWS									
Develop/Complete Acquisition Plan									
Develop/Complete MEO									
Issue Synopsis (CBD) (2x)									
Obtain DOL Labor Rates									
Form 9 and PWS to Contracting									
Develop/Issue Solicitation									
Complete In-House Bid									
Complete Independent Review									
Pre-Proposal Conference									
Wait for Proposals									
Receive & Review Proposals									
Complete Cost Comparison									
Review Period									
Protests/Appeals									
Congressional Announcement /Contract Start									
Issue: Notice to Proceed/RIF Notices									
Begin Mobilization/Transition									
Contract Start									
COMPLETED STUDY = 9 MONTHS									

A-76 Specific Actions =
 Acquisition Related Actions =
 Personnel Actions =



UPDATED: 30 APR 96



POLICY UPDATE

Recent DoD Policies Implemented



- **DoD Interim Guidance Issued April 3, 2000**
 - ✓ Strategic Sourcing
 - ✓ Issuing Solicitations In A-76 Cost Comparisons
 - ✓ Source Selection Evaluation Board
 - ✓ DoD Costing Policies For A-76 Cost Comparisons
 - ✓ Administrative Appeal Process
 - ✓ A-76 Cost Comparison Waivers
 - ✓ Performance Tracking of Completed Strategic Sourcing and Competitive Sourcing Initiatives
- **DoD A-76 Training Standards Guidance Issued February 1, 2001**
- **DoD A-76 Costing Manual Issued March 14, 2001**

<http://www.acq.osd.mil/installation/csp/>

Policies Pending



- DoD Best Value Guidance
- DoDD 4100.15, Competitive Sourcing Program
- DoDI 4100.33, Competitive Sourcing Program Procedures



COMPETITIVE SOURCING PROGRAM TRENDS

DoD COMPETITIVE SOURCING PROGRAM EXECUTION TRENDS (CAMIS Data)

FY95 Through December 2000



- **In-Progress Competitive Sourcing Initiatives = 509**
 - ✓ 399 Cost Comparisons + 110 Direct Conversions
- **Completed Competitive Sourcing Initiatives = 561**
 - ✓ 213 Cost Comparisons + 329 Direct Conversions + 19 Streamlined
- **Cost Comparison Appeal & Protest Data**
 - ✓ 67 A-76 Administrative Appeals Filed -- 26 Bid Protests to GAO
 - ✓ 6 Tentative Cost Comparison Decisions Reversed
- **Cost Comparison Decision Averages = 57% In-house & 43% Contract**
- **Small Business Awards = 79% (of All Contracts Awarded via A-76)**
 - ✓ 59% of Cost Comparisons -- 85% of Direct Conversions
- **Average Pre- versus Post-MEO Savings**
 - ✓ 34% Manpower Reductions -- 11,995 FTEs
- **Average Cost Comparison Duration**
 - ✓ Single Function Cost Comparison= 24 Months
 - ✓ Multi-Function Cost Comparison= 27 Months

RIF STATISTICS



Fact or Myth?

A-76 Decisions Result in Huge RIFs

Fact

1,311 Civilians RIFed Due to A-76 Initiatives
Announced Since 1 Oct 94

RIF Statistics

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	Total
DoD-Wide	5,844	3,412	1,877	2,364	1,335	14,832
A-76 Initiative	561	39	132	92	487	1,311
A-76 %	9.6%	1.1%	7.0%	3.9%	36.5%	8.8%

TAKES TOO LONG



Fact or Myth?

Installations are “Dragging Their Feet” to Use the Full Congressionally Mandated Time Limit

Fact

Initiatives Take Less Time Than the Congressionally Mandated Limit

Announcement to Tentative Cost Comparison Decision

- Standard Cost Comparison Total Weighted Average = 26.2 months
 - Weighted Average (Multi-function) = 27.1 months
 - Weighted Average (Single function) = 23.9 months
- Direct Conversion Total Weighted Average = 15 months

ALWAYS END IN APPEAL OR PROTEST



Fact or Myth?

All Cost Comparisons Result in Appeals or Protests

Fact

69% Result in **No** Appeals
88% Result in **No** Protests

Out of 213 Completed Standard Cost Comparisons

- 67 Resulted in Appeals Being Submitted in A-76 Appeal Process
- 26 Resulted in Bid Protests Being Submitted to GAO

DECISION TRENDS



Fact or Myth?

More Large A-76 Cost Comparisons Result in Contract Decisions than Small A-76 Cost Comparisons

Fact

Standard Cost Comparisons Completed Since 1 Oct 94:

- 48% >100 spaces contract
- 41% <100 spaces contract



SMALL VS BIG CONTRACTORS

Fact or Myth?

Big Contractors Win All Decisions

Fact

For A-76 Initiatives Announced Since 1 Oct 94,
Small Business Won a Larger Percentage

<u>Type of A-76 Initiative</u>	<u>Big</u>	<u>Small</u>
Standard Cost Comparison	41%	59%
Streamlined Comparison	0%	100%
Direct Conversion	15%	85%

DECISION TRENDS



Fact or Myth?

A-76 Leads to Contract Cost Increases

Fact

- Anytime Requirements Increase, Costs Increase
 - More Resources Needed to Perform Added Requirements
- Regardless** of Service Provider (in-house or contract)
- Resources = Money & People

It's the Requirement -- not A-76 or Service Provider

DECISION TRENDS



Fact or Myth?

Can't Return Contracted Work Back In-house

Fact

- A Cost Comparison Justifies a Decision to Return Contracted Work to In-house Performance
- Difference: Contractor Receives 10% Advantage



AUTOMATION TOOLS

win.COMPARE²



- Costing Software To Develop the In-house Cost Estimate
- Replaced DOS-based COMPARE
- win.COMPARE² & Costing Manual Used Together
- Costing Help Desk Available
 - ✓ **Software**
 - ✓ **Costing Procedures**

SHARE A-76!



- A-76 Cost Comparison Knowledge Management System
- Web-based Approach to Share A-76 Information
 - ✓ Best Practices/Experiences
 - ✓ Links to Other A-76 Web Sites
 - ✓ A-76 Resource Library
 - ✓ One-Stop A-76 Shopping
 - ✓ Available to Public
 - ✓ Launched December 1, 2000

emissary.acq.osd.mil/inst/share.ns



FUTURE ENHANCEMENTS

A-76 Cost Comparison Handbook Series



- Focus on A-76 Cost Comparison Process
- Convey best practices & lessons learned
- Recommend approaches -- not policy
- Linked to SHARE A-76!
- Will be updated regularly as more best practices & lessons learned become available
- Available for public review as of 10 Sep 00

<http://www.acq.osd.mil/installation/csp/>

Go in via public access to “What’s Hot”

A-76 Cost Comparison Handbook Series



- **#1: Getting Started: Packaging, Central Management, Announcements, Setting Up the CA Team, & Milestones**
- **#2: Performance Measurement**
- **#3: Acquisition Actions**
- **#4: PWS/QASP Development**
- **#5: Government Management Plan**
- **#6: Human Resource Actions**
- **#7: Public Review Period and Administrative Appeal Process**
- **#8: Making the Cost Comparison Decision & Post A-76 Actions**

Automation



- DoD Funded Web Based win.COMPARE² Training in Development
- DoD Web-based CAMI S
 - ✓ Reevaluating Data Elements
 - ✓ Expanding Army CASTS System
 - ✓ Goal: Implement by Summer 2001



Questions?



STRATEGIC SOURCING PROGRAM

Extract From the Revised Supplemental Handbook to OMB Circular A-76



"The reinvention of Government begins by focusing on core mission competencies and service requirements. Thus, the reinvention process must consider a wide range of options, including: the consolidation, restructuring or reengineering of activities, privatization options, make or buy decisions, the adoption of better business management practices, the development of joint ventures with the private sector, asset sales, the possible devolution of activities to state and local governments and the termination of obsolete services or programs. In the context of this larger reinvention effort the scope of this Supplemental Handbook is limited to the conversion of recurring commercial activities to or from in-house, contract or ISSA performance."

Strategic Sourcing

What it ISN'T



- NOT mandatory
- NOT an avoidance of A-76
- NOT an alternative to A-76
- NOT a replacement for A-76
- NOT a method to exempt a commercial activity from A-76
- NOT intended to integrate exempt and commercial activities for the purpose of fencing them from A-76
- NOT an OMB program

Strategic Sourcing

What it is?



- DoD Program
- Broader approach than traditional A-76
- Reemphasizes existing DoD manpower management processes
- Designed to maximize effectiveness, efficiencies and savings regardless of the type of function
 - ✓ Inherently Governmental
 - ✓ Commercial or
 - ✓ Commercial Exempt
- Continues emphasis on competition
 - ✓ Either during strategic sourcing or
 - ✓ Within 5 years after strategic sourcing is completed

Strategic Sourcing Criteria



- Must have complete functional, organizational buy-in from leaders at all levels
- Must have SES/Flag Officer/General Officer oversight throughout the process
- Must develop and maintain a Strategic Sourcing Program Plan of Action
 - ✓ Details of what, when, where, savings, etc.
 - ✓ Must be reflected in POM/BES
 - ✓ Must include competitive sourcing elements
 - ✓ Must comply with statutory and regulatory requirements
 - ✓ Approved by DUSD(I) prior to POM/BES

Strategic Sourcing



- Key is to properly define the whole function or organization
- Wide range of options
 - ✓ Eliminate obsolete practices
 - ✓ Restructure functions/organizations
 - ✓ Reengineer or benchmark
 - ✓ Reduce redundancies
 - ✓ Adopt best business practices
 - ✓ Activity based costing
 - ✓ Transfer to another DoD provider
 - ✓ Eliminate or privatize functions